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Steering Committee on Trade Capacity and Standards

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**Improving the Steering Committee on Trade Capacity and Standards delivery on the 2030 Agenda**

# Improving the Steering Committee on Trade Capacity and Standards delivery on the 2030 Agenda: Concept Note

*Summary*

During the third session of the Steering Committee on Trade Capacity and Standards (SCTCS), Member States requested the secretariat to report on progress made in extending the scope of the evaluation methodology used in its studies on regulatory and procedural barrier to trade to capture the impact of non-tariff measures on the achievement of Sustainable Development Goals (SDGs).

To ensure prompt responsiveness and proper addressing of the multifaceted and the cross-cutting nature of SDGs, the Chair decided to review the activities under the SCTCS in terms of their consistency with the level of ambition of the 2030 Agenda.

This concept note summarizes the results of the review. It was prepared by the Chair with the support of the Secretariat following consultations with the Bureau members, and integrates the results of the Bureau meeting that was held on 27 September 2017.

The concept note shows that the SCTCS is not used to its full potential and provides recommendations, which build on achievements to date.

This document is presented by the Chair for decision.

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## I. Background

1. Created in 2015 to succeed the Committee on Trade, the SCTCS is the Economic Commission for Europe (ECE)'s inter-governmental body responsible for supporting the reduction of trade-related transaction costs and the improvement of the efficiency, predictability and transparency of trade regulations and procedures in the ECE region.[1]

2. The SCTCS meets on an annual basis to: review and endorse the international norms, standards, recommendations and best practices developed by its subsidiary bodies, Working Party on Regulatory Cooperation and Standardization Policies(WP.6) and the Working Party on Agricultural Quality Standards (WP.7); review and endorse the programme of work (PoW) of these subsidiary bodies; draft the PoW on trade capacity and standards; review capacity building and technical assistance activities to help countries implement standards developed under the sub-programme on Trade; and, liaise with other ECE Committees and development partners to avoid overlap and duplication.[2] The SCTCS also reviews the results of demand-driven studies which are carried out by the secretariat to identify regulatory and procedural barriers to trade in Member States.[3]

3. This paper reviews the SCTCS delivery on the 2030 Agenda. It shows that the SCTCS is not used to its full potential, and provides a number of proposals for bringing the Steering Committee to the level of ambition of the 2030 Agenda.

## II. SCTCS delivery on the 2030 Agenda: Stocktaking

4. The SCTCS is well placed for serving as a multi-stakeholder platform for facilitating consensus-building among the ECE 56 members on guidelines and reference frameworks for a systemic treatment of regulatory and procedural trade reforms in a manner that complements national development efforts and is consistent with the broader principle of policy coherence underpinning the 2030 Agenda.[4]

5. The annual sessions are attended by representatives from States agencies responsible for horizontal coordination of economic reforms as well as those involved in vertical (sectoral) coordination and implementation (e.g., Customs authorities and conformity assessment bodies), private sector stakeholders, development partners and donor agencies.

6. As shown in the Box, each session features a high-level segment that is informed by evidence-based analysis, drawing on the findings and recommendations emerging from the

[1] As per EXCOM Decision ECE/EX/22 of 10 February 2015, which sets the SCTCS terms of reference. The decision is available at:
https://www.unece.org/fileadmin/DAM/trade/SCTCS_2015/2015_03E_SCTCS_ToR.pdf

[2] As per EXCOM Decision ECE/EX/22 of 10 February 2015, which sets the SCTCS terms of reference. The decision is available at:
https://www.unece.org/fileadmin/DAM/trade/SCTCS_2015/2015_03E_SCTCS_ToR.pdf

[3] See EXCOM decision ECE/EX/15, whereby Member States requested the ECE to undertake studies of regulatory and procedural barriers to trade in selected ECE Member States with economies in transition. The decision is available at:
https://www.unece.org/fileadmin/DAM/commission/EXCOM/Key_documents/05_TradeCommittee_Recommendations_ECE_EX_5E.pdf

[4] For a concise conceptualization of the 2030 Agenda notion of policy coherence, see ECOSOC Development Cooperation Forum Policy Brief No.15 "New forms of cooperation and increased coherence to implement the SDGs", March 2016, available at:
https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/publication/dcf-policy-brief-15.pdf

secretariat's studies on regulatory and procedural barriers to trade. The studies, which use a comprehensive survey-based evaluation methodology,[5] bring forward the causes and consequences of the identified barriers for transaction costs and provide action-oriented recommendations. The recommendations are born out of broad-based consultations with public and private sector stakeholders,[6] with a view to enabling national Governments to implement internationally recognized standards, recommendations and best practices in the areas of trade facilitation, standardization policies and quality assurance, including those developed by the ECE.

| **SCTCS substantive discussions** |
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| The findings and recommendations emerging from ECE studies on regulatory and procedural trade barriers are presented during the SCTCS High-Level segment, with a view to helping Member States leverage partnerships for development. |
| Line ministries and State agencies responsible for coordinating and implementing trade reforms brief the SCTCS on their action plans for implementing the ECE recommendations. Representatives of enterprise support institutions (e.g., business associations, trade promotion agencies, chambers of commerce and industry) are also given the floor to highlight trade and business development challenges, giving way to donor agencies and development partners to share their views and advise on their contribution to the implementation of national action plans. |
| The sessions also feature updates from Member States on progress made in implementing the ECE recommendations and emerging needs. Updates are also provided by ECE on follow-up technical assistance activities, including capacity building projects carried out jointly with other UN agencies. The projects are fully aligned with the United Nations Secretary-General system wide reforms, and special emphasis is accorded to integrating ECE recommendations into the national United Nations Development Partnership Frameworks (UNDAFs) of the counties under review. |
| Since launching the studies in 2010, the ECE has carried out 6 national studies in Albania, Belarus, Kazakhstan, Kyrgyzstan, Moldova (Republic of) and Tajikistan, and is in the process of finalizing two studies in Armenia and Georgia.[7] |

7. The experience gained from the studies show that more could be done to support national trade development efforts. In all of the reviewed countries, trade reforms are geared towards the strategic long-term objective of achieving structural transformation

[5] The methodology covers 10 of the total 16 Multi-Agency Support Team (MAST) chapters on non-tariff measures: Sanitary an phytosanitary measures (Chapter A); Technical barriers to trade (Chapter B);Pre-shipment inspection and other formalities (Chapter C); Price control measures, including additional taxes and charges (Chapter F); Finance measures (Chapter G); Measures affecting competition (Chapter H); Distribution restrictions (Chapter J); Government procurement restrictions (Chapter M);Rules of Origin (Chapter O); and, Export-related measures (Chapter P).

[6] Traders, State officials and service providers are approached during face-to-face interviews using the ECE actor-oriented questionnaires. The recommendations are validated during national Stakeholder Meetings that bring together representatives of the public and private sector institutions.

[7] The studies are available at https://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html.

towards increased specialization in products with high value-added. Such an emphasis finds root in the Governments' struggle to reduce economic vulnerability, curb trade deficit, address the gap between gross domestic product and gross national income and realize growth with equity.[8]

8. To ensure policy responsiveness, the secretariat expanded the scope of the evaluation methodology, with a view to bringing forward the links between regulatory and procedural measures and structural transformation. This is all the more so since empirical evidence emerging from the national studies demonstrates that removing regulatory and procedural trade barriers would not automatically translate into increased exports. At issue is the cost of compliance with international quality and safety requirements as well as those associated with trade facilitation. Such costs involve in addition to strengthening the institutional capacity of State agencies and market support institutions, significant investments in improving the technological capacity of enterprises (understood as the accumulated knowledge and skills to identify, appraise, utilize and develop technologies and techniques to upgrade production processes); the benefits of which often take years to reap.

9. The updated evaluation methodology, which is being used in the ongoing studies on Armenia and Georgia, is geared towards capturing compliance costs assumed by traders as they strive to meet quality, safety and trade facilitation requirements.[9] It also traces the manner in which these costs combine with the transaction costs resulting from regulatory and procedural trade barriers to influence structural transformation and, thereof, export diversification.

10. The updated methodology translates into practice how best to gear trade towards serving as an effective "means of implementation"[10] for SDG 8 (Decent Work and Economic Growth). The analysis highlights the channels through which trade influences employment generation, economic inclusion and enterprise level technological capability, thereby providing a sound basis for establishing multi-faceted recommendations for supporting a whole-of-government approach at the national level as well as SDGs 9 (Industry, Innovation and Infrastructure) and 17 (Partnership for the Goals) (Table).

[8] These concerns are reflected in the studies as part of the discussion of ongoing trade reforms in the countries under review. Each study provides an overview of these reforms and the links to the broader national development strategies and regional integration efforts as established by the governments.

[9] The secretariat was requested to incorporate relevant SDGs into the ECE methodology for studies on regulatory and procedural barriers to trade. See the reports from the SCTCS second and third annual sessions (ECE/CTCS/2016/2 and ECE/CTCS/2017/2).

[10] As defined by the UN inter-agency technical support team for the General Assembly Open Working Group on SDGs, "means of implementation" describes the interdependent mix of financial resources, technology development and transfer, capacity-building, inclusive and equitable globalization and trade, regional integration, as well as the creation of a national enabling environment required to implement the new sustainable development agenda, particularly in developing countries. Trade is an additional important means for diffusing new technologies and knowhow, including environmental technologies. For further details see the Technical Support Team (TST) brief at https://sustainabledevelopment.un.org/content/documents/2079Issues%20Brief%20Means%20of%20Implementation%20Final_TST_141013.pdf.

**The SCTCS potential delivery on the Agenda 2030**

| *The SCTCS potential delivery on the 2030 Agenda Goals* | *Targets* |
|---|---|
| **Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all** | 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors |
| | 8.10. (a) Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries |
| **Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation** | 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all |
| | 9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries |
| **Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development** | 17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation |
| | 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda |
| | 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 |
| | 17.14 Enhance policy coherence for sustainable development |
| | 17.15 Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development |
| | 17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries |

11. Addressing the Member States' broader concerns in relation to the 2030 Agenda is also at the center of WP.6 and WP.7 discussions. The two subsidiary bodies have completed the process of aligning their work with the SDGs. This alignment involves bringing forward solutions and practical evidence to ongoing discussions on a range of issues, which will allow for further improving the Steering Committee's delivery on the 2030 agenda. In the case of WP7, the alignment will support addressing, among others, the problem of food waste and food loss, with direct contribution to the achievement of SDG

12 (Responsible Consumption and Production). The alignment of work under WP6 is geared towards enhancing the role of standards in the implementation of the 2030 Agenda, particularly in relation to SDG 5 (Gender Equality), SDG 11 (Sustainable Cities and Communities) and SDG 12(Responsible Consumption and Production).

## III. Consolidating deliverables: Proposals

12. The previous section shows that the SCTCS has a potential to serve as a multi-stakeholder forum for supporting the achievement of the 2030 Agenda in the ECE region in a manner that contributes to the achievement of policy coherence for sustainable development.

13. However, the existing terms of reference are not tuned to enable the SCTCS to deliver on its potential. Delegates take note of the findings and recommendations emerging from the studies. The broad systemic issues in the areas of trade facilitation, standardization policies and quality assurance are not discussed. The existing terms of reference do not provide room for discussing such issues, nor do they allow for highlighting the policy implications of the regulatory work undertaken by WP.6 and WP.7. Similarly, the terms of reference do not provide room for discussing country experiences in increasing the contribution of trade to income growth.

14. It is, therefore, suggested to review these terms of references. In so doing, the emphasis should be on drawing on the regulatory work of the subsidiary bodies and the evidence-based analysis of the secretariat. This analysis stands apart from the work undertaken by other UN agencies in that it provides practical insights into the growth dynamics underpinning international supply chains.

15. The revised methodology takes the analysis of regulatory and procedural barriers a step further by capturing the manner in which they influence the structure and functioning of the production and commercial networks in Member States. The subsidiary bodies are also aligning their work to the 2030 Agenda to provide practical insights and approaches for marshalling agricultural standards, standardization policies and quality assurance around the SDGs.

16. The SCTCS could facilitate the consolidation of agreed upon recommendations and reference frameworks, which take into account the cause-effect relations between trade reforms and other economic policy measures and enable governments in the ECE region to bridge the gap between policy and implementation. The recommendations and reference frameworks should only focus on systemic issues that are common to Member States and support whole-of-Government approaches.

17. Below is a list of systemic issues that could form the focus of the SCTCS to achieve improved delivery on the 2030 Agenda. These systemic issues could be brought to the attention of the Member States in the form of technical papers for informing discussions on proposed recommendations, best practice guidelines and reference frameworks.

- Challenges to inclusive supply chains in the ECE region
- Focus: compliance costs (horizontal and sector specific) associated with meeting international quality, safety and trade facilitation requirements and their impact on structural transformation and economic cooperation.
- Non-tariff measures and export diversification in the ECE region
- Focus: practical solutions for increasing the contribution of non-tariff measures to structural transformation and export diversification (i.e., approaches to ensuring policy coherence, including through whole-of-government approaches).

- Removing regulatory and procedural trade barriers: experiences from the ECE region
- Focus: successful and less successful experiences in removing regulatory and procedural trade barriers.

18. The aim should be to support experience sharing among Member States by helping relevant stakeholder institutions (including State agencies, market support institutions and research centres) develop coherent approaches and flexible cooperation modalities for addressing common challenges. The ECE could help develop such flexible modalities, such as knowledge exchange and peer support, for enabling partner stakeholders to learn from each other.

19. The SCTCS is well placed to act as a facilitator, providing its expertise knowledge on optimal approaches for implementing the recommendations and best practices developed by subsidiary bodies and for achieving policy coherence; enrich the pool of partnerships through networking; and, bring forward the lessons learnt from experience sharing to the attention of other ECE members. This is consistent with the 2030 Agenda, which emphasizes learning by doing and pooling of efforts between developed and developing countries, including within the context of South-South and triangular cooperation.[11]

## IV. Concluding remarks

20. This concept note highlighted the necessity of reviewing the SCTCS terms of reference in order to allow Member States to use this inter-governmental body to its full its potential and improve its delivery on the 2030 Agenda. The paper provided concrete proposals for achieving this. These proposals were used by the Chair to draft the proposed terms of reference, presented in document ECE/CTCS/2018/4 for the SCTCS approval.

[11] The UN's working definition for triangular cooperation (TrC) is "Southern-driven partnerships between two or more developing countries, supported by a developed country(ies) or multilateral organization(s), to implement development cooperation programmes and projects. See, Framework of operational guidelines on United Nations support to South-South and triangular cooperation SSC/17/3 (2012) Note by the Secretary-General, High-level Committee on South-South Cooperation Seventeenth session New York, May 2012

# Annex

## Standard setting work under the SCTCS

1. Standard setting work is carried out by the SCTCS subsidiary bodies, namely: the Working Party on Regulatory Cooperation and Standardization Policies (WP.6) and the Working Party on Agricultural Quality Standards (WP.7). The standards, recommendations and best practices developed by the two subsidiary bodies serve as policy tools for improving the efficiency, transparency and predictability of the international trade system in a manner that is consistent with the requirements of the World Trade Organization (WTO)-administered multi-lateral trading system.

2. WP.6 develops best practice recommendations in the areas of technical regulations, standardization, conformity assessment, metrology, market surveillance and risk management. Since its establishment in 1970, this subsidiary body has developed 17 recommendations to protect animal and public health safety and the environment in a manner that is consistent with ensuring overall supply chain efficiency.[12]

3. WP.6 recommendations and best practices are voluntary but are widely used by public authorities. For example, they have been referenced as best practice by the WTO Committee on Technical Barriers to Trade and by the European Union. Similarly, WP.7 standards are used by Governments, country groupings (in particular the European Union), producers, traders, importers, exporters and international organizations.

4. WP.7 develops agricultural quality standards for fresh fruit and vegetables (FFV), dry and dried produce (DDP), seed potatoes, meat, cut flowers, eggs and egg products. Since its establishment in 1949, this working party has developed over 100 standards to promote high-quality production, improve profitability and protect consumer interests and health in a manner that is consistent the requirements of ensuring overall supply chain efficiency.

5. In addition, WP.7 defines common quality-control procedures and the use of the model quality-conformity certificates by cooperating with governmental, intergovernmental and other organizations implementing standards to achieve uniformity of inspection methods and comparability of results. WP.7 also develops interpretative and explanatory material to support a harmonized and consistent application of its standards.[13]

6. The two subsidiary bodies are in the process of further aligning their work to enhance their support of SDGs, and will present the outcome of their review to Member States during the next annual session of the SCTCS in May 2018.

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[12] WP.6 recommendations are available at: http://www.unece.org/tradewelcome/steering-committee-on-trade-capacity-and-standards/tradewp6/recommendations.html

[13] WP.7 standards and recommendations are available at: https://www.unece.org/tradewelcome/steering-committee-on-trade-capacity-and-standards/tradeagr/standards-and-recommendations.html